

PATRICK A. GLEASON
CHAIRMAN



OFFICE OF SPECIAL COUNSEL

HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

SELECT COMMITTEE ON STATE CONTRACT PRACTICES

October 3, 1974

Honorable Milton J. Shapp
Governor of Pennsylvania
Room 225 Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor:

This Select Committee has conducted inquiries over some 15 months, hearing testimony from 87 witnesses in over 250 hours of public and executive sessions. At all times it has endeavored to fulfill the responsibility of the legislative branch to oversee the affairs of state government for both the purpose of evaluating existing law and the implementation of that law through executive conduct and for the purpose of proposing new legislation responsive to problems uncovered by legislative inquiry.

I must say to you that the committee's work has been made more difficult because of your lack of cooperation.

A case in point is your appearance before us tomorrow. Despite my assurance to you that you would be called before the election as you had requested, you forced this committee into scheduling your appearance before it had the opportunity to lay the necessary groundwork for a meaningful interrogation. Because we were anxious to have the opportunity to question you, even under the most adverse of circumstances, we acceded to your request and you will appear tomorrow before the committee has had an opportunity to receive sworn testimony in public session on many areas of state government that should have been explored before your appearance.

You will appear before us at a time when we have not had access to your federal and state tax returns for the years 1966 through 1973 and at a time when materials we have subpoenaed from Pennsylvanians for Progress are still incomplete. Characteristic of your efforts to stall and otherwise obstruct this investigation was your promise on August 19 to provide "as quickly as possible" copies of the checks and other instruments involved

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in your repayment of bank loans to your political committees. When you appear tomorrow, 45 days will have passed since you made that promise and this committee will still not be in possession of those documents.

Since August 2, moreover, you have thwarted our efforts to obtain your tax returns so that we could intelligently evaluate your financial disclosures and your claims with respect to the repayment of bank loans to your political committees as well as your acceptance of campaign funds for personal purposes. Consequently, the committee will not now be in a position to question you closely concerning the circumstances surrounding the making of almost \$3 million in such bank loans to your committees in 1966 and 1970 -- in violation of state election laws -- nor concerning the repayment and "rolling over" of those loans because of the information you have withheld from us.

As if your inaction were not sufficient indication of your bad faith in dealing with this committee, consider the calculated misstatements of your closest associates with respect to the existence and production of the records of Pennsylvanians for Progress, your post-election fund raising scheme. After your election in 1970, your committee raised on your behalf hundreds of thousands of dollars. None of these proceeds have ever been filed with appropriate election officials. The incomplete data we have received to date reveals two things. First, over one half million dollars is unaccounted for. Secondly, a large percentage of your contributors were persons likely to do business with, or be licensed by, the state. More importantly, we have no idea what the missing data will reveal.

At first, you told us these records were destroyed. Later, when public indignation mounted, you miraculously discovered some of the missing data. We can only agree with your conclusion that such a chain of events was "weird". Perhaps you and your aides realized, upon reflection, that the hundreds of thousands of dollars which remain unaccounted for would challenge the credulity of even your most partisan allies. Amazingly after contending for four years that you had received no money for this pre-sale of your administration, you have now confessed that \$120,000 of these funds were funneled directly to you.

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A further indication of your intention to obstruct our efforts has been the orchestrated legal assault waged against us. Yesterday, majority members and staff of this committee, who should have been preparing for your appearance, were instead in Commonwealth Court. They were there because you were suing them. They were there because you had subpoenaed them.

Today, majority members and staff of this committee were again in Commonwealth Court. The method was the same. Only the players were different. This time it was Frank C. Hilton who was suing them. This time it was Frank C. Hilton who had subpoenaed them.

While these legal battles were being waged, your friend and former business associate, Herman J. Israel, and the Keystone Bank, which you once served as a director, were refusing to comply with subpoenas issued by this committee demanding the production of records which would have aided in the unraveling of the infamous Hilton lie. At the same time, David Oppenheim, Israel's partner, has been stonewalling this committee in similar fashion.

I must comment at this point on the performance of your State Chairman, Dennis Thiemann. Mr. Thiemann has repeatedly refused to honor this committee's subpoena for fund raising records. Instead, he has opted to furnish us with incomplete and doctored data.

You have supported Thiemann's obstructive tactics, stating publicly that to provide, pursuant to subpoena, your State Committee's contributors list would be "like Macey's asking Gimbels to turn over its list of customers". I was unaware, until that statement, that you regarded contributors to your committee as customers. I can only surmise that what these "customers" were receiving in return for their payments were state contracts.

You waited, however, until the day before your appearance to launch your most vicious attack to divert the attention of the public from the serious questions raised by your conduct in office. I refer to the outrageous and unfounded charges of impropriety which you, through minority

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members of this committee, leveled upon a member of our staff. I will not dignify such slander with a detailed reply. Suffice it to say that these charges are totally false and outrageously malicious.

Can all of these tactics, occurring just before your appearance, be a mere coincidence?

Amazingly, you have seen fit to claim on innumerable occasions that your administration is the most open in the history of the Commonwealth. Even more shocking, you saw fit to claim as recently as September 30 of this year that your administration is "one of the cleanest administrations in the history of the Commonwealth."

In striking contrast to these self-serving claims is the actual performance of your administration. Some examples are in order.

Your administration has seen the dismissal for cause of three top cabinet appointees -- Frank C. Hilton, Shane Creamer, and Rocco Urella. The story of the Hilton lie and its coverup is still unfolding and we will pursue it with you tomorrow. Your promised explanations of the dismissal of former Attorney General Creamer and former State Police Commissioner Urella were never forthcoming and I can only suggest that the forum which this committee is providing over the next several days would be an appropriate one for you to utilize in making this long awaited explanation.

In addition to his involvement with the King of Prussia wiretap fiasco, Mr. Urella also distinguished himself by destroying the evidence of a crime. I refer, of course, to the notorious Kapleau wiretap. Mr. Urella ended his career as a state law enforcement officer by invoking his Fifth Amendment privilege against self-incrimination when questioned about his involvement in the above matters.

Particularly distressing was your decision to place the Pennsylvania Turnpike Commission under the control of Egidio Cerilli, whose only experience in government had been the management of a corrupt PennDot organization in Westmoreland County. The investigation of this committee and the sworn testimony of witnesses before us demonstrated beyond doubt that Mr. Cerilli had presided over an organization which systematically extorted, on a percentage basis, substantial sums of money from contractors.

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Westmoreland County, however, was not alone in this regard. In county after county we have found irrefutable evidence that this same extortion scheme is being applied to contractors in a style so similar that it could not have been accidental. It is a fair conclusion to say that within PennDot there exists a mechanized engine of extortion designed to raise funds for the personal and political use of officials within your administration.

In this area, as in so many others, this committee has been hampered by the inefficient and lethargic performance of your hand-picked Attorney General. In October of 1973 -- one year ago -- I pleaded with Mr. Packel to fully investigate charges of extortion in PennDot, particularly in Westmoreland County. I advised Mr. Packel that I had received information which fully supported charges by Auditor General Robert P. Casey of wrongdoing in Westmoreland County.

I was rebutted by willful silence and an arrogant nonresponse. Thus, this committee was forced to expend precious time and taxpayers' money to fill the void created by your Attorney General's inaction.

There is no need to catalogue the disgraceful circumstances involving Frank C. Hilton -- former Secretary of Property and Supplies and your former campaign chairman. This committee in fact was formed because of Mr. Hilton and his activities with respect to his awarding of lucrative leases to your personal friends and political associates. To this day, these sweetheart leases are surrounded by mystery and impropriety.

Despite this, however, from this committee's inception, you saw fit to utilize Mr. Hilton as a spokesman to attack our work. He did much to damage our cause. He even used state resources to sue this committee in Commonwealth Court in an effort to force us to "let him talk," an effort which he has now abandoned.

During the last several months, the truth has begun to emerge. This same Frank Hilton has been discovered to be deeply entangled in post-election fund raising schemes for your benefit and has been caught wasting taxpayers' money on the purchase of state insurance policies while

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diverting large sums of insurance premium money to a favored friend and an apparent benefactor. That same Frank Hilton was today, in that same Commonwealth Court in an attempt to prevent us from bringing him before the Legislature and the people to do the "talking" that he was once so anxious to do.

Not only has Mr. Hilton refused to testify but he has also mirrored your attempts to obstruct this committee by refusing to turn over important data in his possession dealing with your post-election fund raising efforts. You have failed to answer my letter to you of September 26, 1974 where I requested you to exert your obvious influence over Mr. Hilton and persuade him to cooperate with our efforts.

The most distressing aspect of this sordid Hilton scenario, however, is the premeditated lie which he foisted upon the press and the citizens of this Commonwealth, the failure of your administration to make any attempt to bring this lie to the surface and your irresponsible efforts to conceal its existence from the press and public once you were made aware of it. Here again it was this committee that was forced to act. Beyond doubt, if it were not for the existence of this committee, Frank C. Hilton, a self-admitted liar, would still be serving as Secretary of Property and Supplies.

In one respect, however, Mr. Hilton's lack of candor can be excused. Your policy concerning truthfulness on the part of your aides may well have left them confused. Alexander Jaffurs told the truth to the press and to the public and you fired him. Gene Roscioli lied to the press and to the public and you retained him. Such inconsistency on your part may well have tempted Mr. Hilton into perpetrating his lie upon the press and the public.

In this context of deceit, it came as no surprise to us yesterday when we learned that on September 10, 1974, you had lied to the press and to the citizens of this Commonwealth. At that time, you stated that you had paid \$60,000 in state income tax on the profits you received pursuant to the sale of your cable television holdings. In fact, you did not pay anything -- availing yourself of a loophole in your tax law which absolved you of any liability.

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Time and space prohibit a detailed exposition of the numerous other areas within your administration which give lie to your assertions of openness and honesty. The Grand Jury investigation in Philadelphia dealing with your Department of Revenue, your State Cigarette Agency, your Liquor Control Board, your State Board of Pharmacy, and your Bureau of Taxes for Higher Education are vivid examples of the failure of your administration to effectively ferret out and deal with corruption. Even more appalling is the irrefutable fact that Commonwealth employees indicted in these investigations are still serving in their positions of public confidence.

The indictment of William Casper, your hand-picked Treasurer of the Democratic State Committee, in Butler County and the resignation under fire of Vincent Fumo merely add to this sordid litany.

Some have said that our investigative efforts have been too aggressive. Crocodile tears have been shed for certain witnesses -- I call them victimizers -- who have been made to account for their improper activities. But, Governor, I must ask you:

Who weeps for the victim? Who weeps for the contractor who is coerced into paying a percentage kickback for the questionable "privilege" of leasing his equipment or his property to the state.

And most of all, Governor, who weeps for the ultimate victim -- the taxpayer of this Commonwealth who must unwillingly subsidize such corruption?

I close with this observation.

Had you and I been in office a decade ago, we probably could have escaped facing up to problems such as we deal with today by simply saying: "So what? Its been this way for a long time."

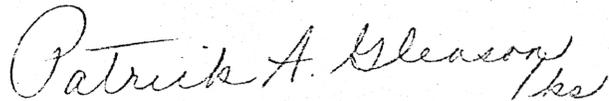
It is my belief that such a posture will not be tolerated by the people today. The people of Pennsylvania -- indeed of America -- have made their decision to bring new standards of openness, propriety, and accountability to their politics and their government.

Honorable Milton J. Shapp
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We stand on the threshold of a new and better political system, if we will only have the courage to cleanse that system. I suggest to you that if we fail to act, if we fall short, then we will have failed ourselves and those who have sent us here to serve them.

It is time to join on common ground by placing duty above all else. The duty is clear, and I ask that you join with me and all others in doing that duty now.

Sincerely,

A handwritten signature in cursive script that reads "Patrick A. Gleason". The signature is written in dark ink and is positioned above the printed name.

Patrick A. Gleason

PAG:ks
Enclosure

PATRICK A. GLEASON
CHAIRMAN



OFFICE OF SPECIAL COUNSEL

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

SELECT COMMITTEE ON STATE CONTRACT PRACTICES

September 23, 1974

Honorable Milton J. Shapp
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

I transmit to you the concluding four paragraphs from a story in the **PITTSBURGH PRESS**, September 22, 1974 based upon an interview with you on the work of the House Select Committee on State Contract Practices:

"To support his contention that the Gleason committee is off on a fishing trip, Shapp said it had subpoenaed all contribution records of the Democratic state committee.

He said Democratic State Chairman Dennis 'Harvey' Thiemann had instead correlated the names of contributors with the names of contractors and concessionaires who do business with the state. The identities of those who wore both hats were then submitted to the committee.

That, said Shapp, was obviously relevant information. But the committee, he said, persisted in requesting the names of all contributors, regardless of whether they might have received preferential treatment by the state in return.

'That,' said Shapp, 'is like Macy's asking Gimbels to turn over its list of customers.'

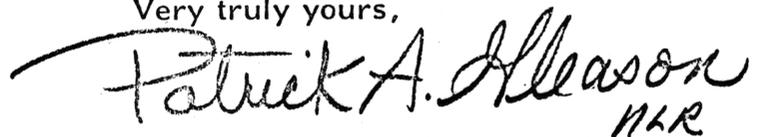
Your justification for withholding subpoenaed political finance records by the Democratic State Committee is 180 degrees off course. While it may be good business for one merchant to keep his "customer" list secret from a competitor (Macy's vs Gimbels), it is against the public interest for any politician, or group of politicians, to maintain secrecy of political finance records; whether or not they view them as "customer" lists.

One other thought:

The Committee's request to take a look at your income tax records is relevant and proper; if for no other reason than to clear up the mystery of the disposition of a large amount of funds raised by you, and on your behalf, from persons doing business with the State.

Immediately following your 1970 election, the public was told that a major fund raising effort was being conducted for the purpose of paying off debts incurred by you in your candidacy. Much of this money came from contractors. Later, we were told that the funds to meet your campaign obligations had come from your own personal resources. If that is correct, the question is asked: What was the disposition of the money raised from contractors and others to pay off the same obligations?

Very truly yours,

A handwritten signature in cursive script that reads "Patrick A. Gleason". To the right of the signature, the initials "NLR" are written in a smaller, blocky font.

Patrick A. Gleason
Chairman

PAG:nlr

PATRICK A. GLEASON
CHAIRMAN



OFFICE OF SPECIAL COUNSEL

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

SELECT COMMITTEE ON STATE CONTRACT PRACTICES

September 13, 1974

Honorable Milton J. Shapp
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania

Dear Governor Shapp:

On this date, September 13, 1974, this Committee met in Executive Session. Due to the absence of Chairman Gleason, I served as Chairman for this meeting.

During the Executive Session the Committee voted unanimously to request from you a copy of any statement or affidavit given to you by Frank C. Hilton, Secretary of the Department of Property and Supplies concerning:

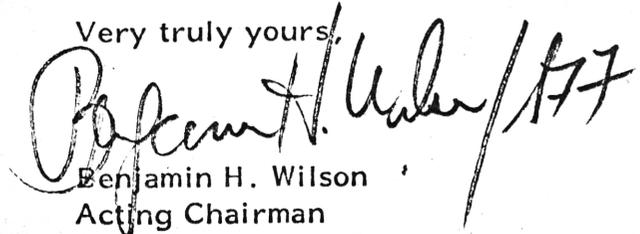
- (a) Mr. Hilton's alleged repayment of a loan to the Keystone Bank of Pittsburgh;
- (b) His statements to the press on July 5, 1974 concerning his dealings with Walter S. Robbins of Wilkes Barre, Pennsylvania on this matter;
- (c) The reasons which he gave to you for providing false information to the press at that July 5th press conference.

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If you have received such a statement or affidavit, I would appreciate your having a copy of the same delivered to the office of Chairman Gleason, Room B-10, Main Capitol Building, Harrisburg, Pennsylvania, no later than 11:00 o'clock a.m., Monday, September 16, 1974.

Thank you in advance for your cooperation in this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Benjamin H. Wilson", followed by a vertical line and the number "177".

Benjamin H. Wilson
Acting Chairman

BHW:nlr

PATRICK A. GLEASON
CHAIRMAN



OFFICE OF SPECIAL COUNSEL

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG
SELECT COMMITTEE ON STATE CONTRACT PRACTICES

August 15, 1974

Honorable Milton J. Shapp
Governor
Commonwealth of Pennsylvania
225 Main Capital Building
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

I trust this letter finds you in good health and spirits.

I am in receipt of your letter of August 12, 1974 and your Executive Assistant's letter of August 13, 1974. Upon receipt of both letters, I forwarded them to Special Counsel for their review. They have informed me this day that you have, in fact, supplied the following:

- (a) copies of personal financial disclosures dated May 10, 1971, December 31, 1971, July 7, 1972, December 31, 1972, April 12, 1973, September 13, 1973, and December 31, 1973.
- (b) a letter dated August 13, 1974 from Treasurer Grace M. Sloan to your Executive Assistant "detailing the history of three banks as depositories of State funds".
- (c) "a list of banks which have served as loan and transfer agents during this administration" as compiled by Budget Secretary McIntosh.
- (d) your personal assertions concerning the reduction of a Shapp/Kline Committee loan at Continental Bank through personal funds, as well as your full collateralization of outstanding political loans.

Honorable Milton J. Shapp

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August 15, 1974

Counsel further informed me of your assertion that you were not in possession of any records "pertaining to loan agreements between the Continental Bank, the Fidelity Bank, and the IVB Bank, and any political committees operating on behalf of or authorized" by you. Additionally, counsel informed me that you have not provided copies of your personal income tax returns for the years 1970 to the present as requested.

Since you state in your letter that you will be willing to reconsider this Committee's request at such time as it "may indicate precisely the materiality of the connection between my tax returns and the mandated responsibility" of this Committee, I direct your attention to the following information:

- (a) The Committee has undertaken an inquiry into the contractual relationships between the Continental Bank, the Fidelity Bank, and the Industrial Valley Bank, and the Commonwealth, through which they serve as either depositories for State monies or as transfer agents for Commonwealth general obligation bonds and tax anticipation notes, and any possible preferential treatment or favored status accorded to these banks as a result of their political lending practices.
- (b) Allegations received by the Committee's investigators in Westmoreland, Greene, Mercer, Monroe, Cambria, Indiana, Blair, Montour, and Lycoming counties, indicate that individuals and organizations having contractual relationships with the State have been compelled to pay monies to political leaders and political parties in order to continue to do business with the State. These compelled contributions have in some cases allegedly been made to local political candidates and organizations and in some other cases have allegedly been compelled on behalf of or ultimately directed to either the Democratic State Committee or political committees operating on a statewide basis. You need look no further, in fact, than to the pending prosecutions in Butler County of ten Commonwealth employees, including the present treasurer of the Democratic State Committee, on charges of extorting monies from state employees, which monies were then allegedly funneled to both local and state

political organizations.

- (d) The accounting firm of Ernst and Ernst was retained by the Democratic State Committee to "try to trace at least a quarter-million dollars apparently unaccounted for in the records" of the Committee. (Pittsburgh Post Gazette, January 7, 1972).
- (e) Chairman Thiemann has reported in official filings with the office of the Commonwealth Secretary that certain records of the Democratic State Committee were destroyed in a fire in his home.
- (f) You have failed to intercede with Mr. Thiemann, as this Committee requested you do in its letter to you of July 26, 1974, instructing Mr. Thiemann to make available the records which this Committee sought via subpoena.
- (g) Allegations currently under investigation by the Committee's staff in Lycoming County indicate that patronage jobs were awarded to two former Williamsport Councilmen "who were instrumental in steering a lucrative 25-year cable television franchise to a firm headed by the Governor." (Philadelphia Bulletin, April 28, 1974)

As you are certainly aware, this Committee is authorized by House Resolution No. 98, Printer's No. 1381, adopted July 25, 1973, to "examine, investigate and make a complete study for the purposes of informing the House of Representatives in the discharge of its constitutional legislative functions and duties of any and all matters pertaining to: (1) the administration, activities, methods of operation, use of appropriations, use of funds and expenditures thereof, policies, accomplishments and results, deficiencies or failures, efficiency and effectiveness of State agencies responsible for the purchasing, leasing, construction, and disposal of Commonwealth supplies, properties and services; and (2) individuals, corporations, consultants, advisors, authorities and entities within or outside the Commonwealth, related to, involved in, or affecting the purchasing, leasing, construction and disposal of Commonwealth property, supplies and services."

Clearly the Committee is entitled to, and in fact must, pursuant to House Resolution 98, determine if the "methods of operation" and "policies" of a state "agency", such as the Department of Transportation, which is responsible for the "disposal" of Commonwealth "services" have been abused by the appointment of individuals to responsible positions within that Department in return for prior actions by such individuals designed or intended to personally profit any official of this Commonwealth in a position to subsequently make appointments to such positions. The Committee must, therefore, in pursuing its mandated responsibilities in this regard determine if you in fact profited while Governor as a result of actions reported by the Philadelphia Bulletin in its editions of April 28, 1974 and thereafter.

In addition, the Committee must determine if you have directed preferential treatment for the three banks mentioned in (a) as a result of their lending policies to your political committees or to you personally.

The Committee must also determine if the monies allegedly extorted on behalf of political leaders and organizations from employees and contractors with the state were used in any way to reduce loan obligations undertaken on behalf of political committees operating with your authorization.

Your tax returns, if appropriately prepared and complete, will clearly show:

- (1) If you profitted personally from the Williamsport Cable franchise award and any subsequent sale or transfer of interests;
- (2) If you did in fact, as you have alleged, personally reduce or eliminate the indebtedness of political committees operating on your behalf. If your assertion of August 12, 1974 is corroborated by information in your tax returns, it will be apparent to this Committee that the revenue allegedly obtained through illegal means in the above mentioned counties has been channeled in another direction. Armed with this knowledge, the Committee can then attempt to ascertain where in fact these monies have in the past or now lodge and to whose benefit they now inure.

Honorable Milton J. Shapp
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In view of the above, on behalf of the Committee, I now call upon you to reconsider your decision of August 12 not to provide to the Committee the requested tax returns. I would hope that, in addition to the Committee's clear right to such information, you would also appreciate the public's interest in the prompt resolution of the questions which have been raised.

In addition, speaking for myself and Special Counsel, I must note our shock at your assertion of August 12 that you have no records in your possession concerning the bank loans in question. You stated that the loans were fully collateralized by your certificates of deposit and you stated further that your repayments and reductions of these loans were from personal funds.

Do you expect this Committee to believe that you have not retained the checks or other instruments you utilized in the payment and the reduction of these loans? Do you expect this Committee to believe that you have no records resulting from the paper transfers involved in full collateralization of loans with certificates of deposit? It seems inconceivable that you, an astute businessman, would fail to keep this and other pertinent data.

It boggles the mind, too, that you would actually assert to this Committee that it "should be sufficient" for you to make a "flat statement" concerning a matter and expect this or any other committee investigating allegations of corrupt practices to allow such assertions "to settle the matter."

Are we expected to accord you such an unprecedented privilege because you are the Governor of Pennsylvania? Surely, you must appreciate that the "flat statements" of too many public officials - at governmental levels even higher than your own - have been found to be false and self-serving.

This Committee will not be duped. It will not be turned aside from inquiries it must undertake. It must have answers. It must have documentations for those answers. It will not be misled by , nor settle for , "flat statements". Neither will it be coerced into calling before it any witness , regardless of the individual's position, until such time as his or her testimony may be measured against all available documentation and until such time as that documentation has been thoroughly scrutinized by this Committee's able staff.

Honorable Milton J. Shapp

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August 15, 1974

In your letter of August 12, you "reiterated" your request to be heard before this Committee. I now reiterate my request that you provide the requested information so that your appearance, to which we all look forward, may be meaningful and not a political charade staged by a candidate for re-election.

Please be advised that the request I make in this letter -that you have the above mentioned material delivered to my office , B-10, Main Capitol Building, no later than Monday, August 19, 1974 at 3:00 P.M. - is my final request. Please be advised, too, that I intend this to be my final letter to you on this subject. The time for letters has passed.

It has been your oft-repeated phrase that your administration is the most open in the history of the Commonwealth of Pennsylvania. You now have the opportunity to prove it.

Very truly yours,



PATRICK A. GLEASON
Chairman

PAG:JMW:SFF:wrp

PATRICK A. GLEASON
CHAIRMAN



OFFICE OF SPECIAL COUNSEL

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG
SELECT COMMITTEE ON STATE CONTRACT PRACTICES

August 8, 1974

Honorable Milton J. Shapp
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

I hope this letter finds you in good health and spirits.

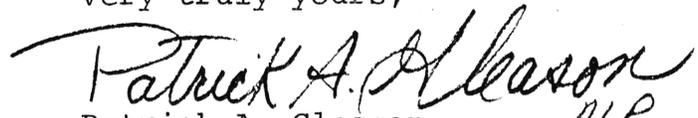
As you are undoubtedly aware from my letters to you of July 31, 1974, August 2, 1974 and August 6, 1974, this Committee's investigation into the matters alluded to in those letters continues.

I am advised by counsel that it will be helpful to the Committee's work to have copies of any publicly disclosed financial statements which you have made from January 1, 1966 to the present.

Accordingly, I will be most appreciative if you would forward copies of any such disclosures to me by Thursday, August 14, 1974, at 11:00 a.m.

Thank you for your kind attention to these matters.

Very truly yours,


Patrick A. Gleason
Chairman

PAG:nlr

Rec'd 8/7 - messenger

PATRICK A. GLEASON
CHAIRMAN



OFFICE OF SPECIAL COUNSEL

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG
SELECT COMMITTEE ON STATE CONTRACT PRACTICES

August 6, 1974

Honorable Milton J. Shapp
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

I have your letter of August 5, 1974, and certainly appreciate your continuing interest in appearing before the Select Committee.

I must admit that I am somewhat disturbed that you have seen fit to request a privilege which this Committee has never extended to any other citizen of the Commonwealth of Pennsylvania; namely, to withhold requested data until you personally appear before the Committee. Surely you must understand that the proper and most efficient procedure would be to allow the members of the Committee, as well as majority and minority staff, to examine the requested documents prior to your appearance as a witness.

Moreover, I am sure you will agree with me that no one should dictate the day and time of his appearance as a witness before a committee. I can personally assure you that you will be invited to testify at such a time when your presence will, in the opinion of the Committee, assist it in the proper discharge of its duties.

As must now be obvious to you, it was never my intention to disclose my correspondence to you. This decision was based on my respect for you and your office. While I regret that you chose to make that correspondence public, I now, of course, have no choice but to disclose publicly copies of my letters to you so that the record may be complete.

I again call upon you to forward to this Committee by Monday, August 12, 1974 at 11:00 a.m., the data requested in my previous letters. To do otherwise would invite a course of action distasteful to all parties concerned and detrimental to the best interest of the citizens of Pennsylvania.

Very truly yours,

Patrick A. Gleason
Chairman



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

August 2, 1974

Honorable Milton J. Shapp
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

As you are aware, this Committee's inquiry into the contractual relationships between certain banking institutions and the Commonwealth led us on July 31, 1974 to request from you data concerning loan agreements entered into by political committees operating on your behalf, and the method of repayment of such loan, as well as a clarification concerning certain declarations in your 1973 financial statement.

I now find it necessary to request copies of your Federal and State tax returns for the years 1970 to the present. I am advised by counsel that the questions which have been raised concerning the making of these loans and their repayment can best be answered by a thorough review of how these transactions were treated, if at all, in your statements of personal tax liability.

I must request that this information be in my hands Friday, August 9, 1974 at 11:00 a.m.

Thank you for your kind attention to this request. Please be advised that the Committee looks forward to your personal testimony on these and other matters during the course of its public hearings.

Very truly yours,

Patrick A. Gleason
Chairman

PAG: nlr

COMMONWEALTH OF PENNSYLVANIA
OFFICE OF ATTORNEY GENERAL
HARRISBURG, PA. 17120

ISRAEL PACKEL
ATTORNEY GENERAL

June 26, 1973

Honorable Patrick A. Gleason
House of Representatives
Commonwealth of Pennsylvania
Main Capitol Building
Harrisburg, Pennsylvania

Dear Mr. Gleason:

With respect to your letter of June 25, 1973, it was and is my understanding that properly secured bank loans in the regular course of business as authorized by the Banking Code do not constitute a loophole. The security of the candidate could have been sold in lieu of making a loan and there could be no question as to the use of the proceeds.

Incidentally, you may not be aware of the fact that the Federal Election Campaign Act of 1971 in its definition of "expenditure" refers to any loan but expressly has this exclusion:

"except a loan of money by a national or State bank made in accordance with the applicable banking laws and regulations and in the ordinary course of business."

Sincerely, .


Israel Packel

IP jg

PATRICK A. GLEASON, MEMBER
636 MAIN STREET
JOHNSTOWN, PENNSYLVANIA 15901



COMMITTEES

GAME AND FISHERIES
MILITARY AND VETERANS AFFAIRS

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

June 25, 1973

Honorable Israel Packel
Attorney General
Justice Department
Main Capitol Annex
Harrisburg, Pennsylvania 17120

Dear General Packel:

I am writing to demonstrate my support for the recently expressed interest in election reform by the Administration. I have sponsored H.B. 746, which the Administration has adopted as its own, despite the Governor's statement that 746 has un-named "loopholes". The Governor has indicated he will submit amendments to correct these "loopholes".

However, there is one area in particular in which I had difficulties in drafting adequate language and which the Administration appears to have overlooked altogether. I speak of the possible defects in our statute intended to prohibit loans to political candidates from corporations and/or banks.

This law is intended to minimize the potential influence of powerful corporate and banking interests on elected public officials specifically, and to prohibit corruption of the election process.

I will cite a disturbing factual illustration which raises the possibility there may be a gaping loophole in 25 P.S. 3225 which is intended to prevent such corruption.

The Shapp for Governor Committee of 1970 received a total of \$750,000 in loans from the Fidelity Bank to fuel their campaign for the Democratic gubernatorial nomination against Auditor General Robert P. Casey.

The loans the Primary Committee received from the Fidelity Bank break down as follows:

March 24, 1970	\$ 50,000
April 6, 1970	\$ 50,000
April 14, 1970	\$100,000
April 29, 1973	\$150,000
May 4, 1970	\$ 50,000
May 7, 1970	\$100,000
May 11, 1970	\$150,000
May 14, 1970	\$ 50,000
May 15, 1970	\$ 50,000
<u>TOTAL</u>	<u>\$750,000</u>

It is apparent that the decisive factor in Mr. Shapp's narrow primary victory over Mr. Casey was the infusion of \$750,000 of bank money into politics. But for these loans of questionable legality, it is entirely probable that Robert P. Casey would be Governor of Pennsylvania today. The Bank money, in effect, altered the future of an entire state.

Loans from banking interest also had a dominant role in the general election gubernatorial campaign against Raymond Broderick.

The Shapp for Governor Committee received a loan of \$75,000 from Fidelity Bank and \$300,000 from Continental bank. In addition, the Shapp-Kline Committee received a total of \$550,000 from the Continental Bank. These loans break down as follows:

	(Fidelity) June 12, 1970	\$ 75,000
	(Continental) August 5, 1970	\$ 50,000
	" August 14, 1970	\$ 50,000
<u>Shapp for Governor</u>	" September 8, 1970	\$100,000
<u>Shapp - Kline</u>	(Continental) October 9, 1970	\$300,000
	October 23, 1970	\$ 75,000
	October 29, 1970	\$125,000
	October 30, 1970	\$ 50,000

Fidelity Bank and Continental Bank appear to have loaned for political purposes a cumulative total of \$1,675,000 to the Governor's primary and general election campaigns for Governor in 1970.

Pennsylvania law, at least in its intent, appears to forbid, without qualification, corporations from making any gifts or loans to any political committee or candidate. The Act of June 3, 1967 P.L. 1333, Art. XVI, Section 1605 as amended June 3, 1943, P.L. 851, Section 1: (25 P.S. 3225).

Honorable Israel Packel

June 25, 1973

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(b) No corporation or unincorporated association or officer or agent thereof, whether incorporated or organized under the laws of this or any other state or any foreign country, except those formed primarily for political purposes or a political committee, shall pay, give or lend or authorize to be paid, given or lent, either directly or indirectly or through any other person, any money or other valuable thing belonging to such corporation or unincorporated association or in its custody or control, to any candidate or political committee for the payment of any primary or election expenses whatever. (emphasis supplied)

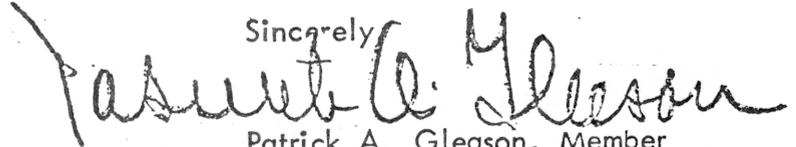
You, as Governor Shapp's personal lawyer during the 1970 campaign, could significantly contribute to our mutual desire for election reform by informing me and the public how you maneuvered the Governor's campaign around the apparently flat statutory prohibition against such bank loans. Our House legal staff, to date, has failed to uncover the loophole in existing law.

As you know, the Watergate incident with its shady campaign fund raising activities and laundered dollars has heightened public concern over the purity of the electoral process. Remedial legislation is needed at both the federal and the state level.

I would appreciate it if you could provide me with information on this loophole, which frustrates the expressed statutory intent, in order that I might prepare appropriate corrective legislation. In this vein it is my intention to press for public hearings on legislation to correct such abuses in our election process.

I urge your cooperation and assistance to remedy this situation.

Sincerely



Patrick A. Gleason, Member
House of Representatives

PAG/sbm

bcc: Craig Truax